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DEPARTMENT OF STATE

Memorandum of Conversation

DATE: 9/12/66

SUBJECT: U.S.-Italian Aviation Negotiations

PARTICIPANTS: Mr. Taylor, Trans World Airways
Mr. Long, Trans World Airways
Mr. Loy, Bureau of Economic Affairs
Mr. Bolster, Office of Aviation
Mr. Rodriguez, Aviation Negotiations Division

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A meeting was held with Mr. Taylor, at his request, to discuss the forthcoming negotiations with Italy. Mr. Taylor made the statement that American carriers were experiencing an erosion of their Fifth Freedom rights in many places and that Italy was as important and typical example of this situation. For this reason U.S. negotiations with Italy would be very meaningful and should be given a lot of attention. In this connection Mr. Taylor felt that a large formal negotiation session with publicity and press attention might not be the best way to begin the negotiations and suggested that a preliminary, less formal session between U.S. and Italian officials might be more fruitful. Such a meeting might also assist in accelerating the timetable for negotiations, which of itself would have substantive merit.

Mr. Taylor set forth his view that the U.S. should make a strong effort to develop a position for the Italian negotiations which would have a good likelihood of acceptance by Italy. Then in these preliminary talks the perimeters of the U.S. position could be indicated to the Italians so that they would know that there was a certain give-and-take in the U.S. position. At the same time the U.S. should be prepared to make clear to the Italians that if it did not prove possible to reach agreement by June 1, 1967 there would have to be a cessation of air services between the two countries until an agreement was reached. Mr. Long added that it would be catastrophic if relations between Italy and the U.S. were to be placed on a permit basis after June 1967.

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In response to Mr. Loy's question as to what give-and-take in the US position on capacity might be supported by the US carriers, Mr. Taylor stated that TWA would be receptive to some control device, perhaps an agreed percentage of permissible annual capacity increase with the right to carry over percentages not used in one year, as suggested by General Santini in the past. Mr. Taylor explained that such a device would permit increases in capacity without challenge up to an agreed level, and desired increases in excess of that level would be the subject of consultations. He noted that we were already being confronted in many countries with de facto restrictions which we were forced to accept, and intimated that an agreed formula was a lesser evil. Mr. Taylor indicated in this connection that the increases in capacity of American carriers for 1967 would probably be minimal, and explained that the more significant development might be that greater use of nonstop flights would increase the number of seats available for Italy-US traffic.

Mr. Rodriguez noted Mr. Taylor's reference to General Santini and inquired whether TWA had heard any reports from Italy as to Santini's possible role in future talks with the United States. Mr. Taylor said that Ing. Venturini and Dr. Serena of Alitalia had clearly indicated to him that they were not happy with General Santini's past performance in negotiating with the United States, but that he had no more definite indications that Santini might be replaced in Italy's talks with the United States. He agreed that this element complicated the matter of a preliminary session for the negotiations.

With respect to the all-cargo problem, Mr. Long speculated that the European civil aviation directors had a common feeling, if not agreement, that all-cargo operations should be treated separately and differently from the broader capacity problem. It was Mr. Taylor's opinion that the Europeans see air cargo as the traffic of the future and want to see adopted a different set of principles to control it.

Mr. Loy indicated his feeling that first of all it was necessary to develop a sound and viable US position for the Italian negotiations. He expressed some receptiveness to the idea of a preliminary meeting with the Italians, but noted that even for a preliminary meeting it would be necessary to have a fairly well defined US position. With reference to the timetable, Mr. Loy suggested that if a preliminary meeting is held, it could perhaps take place in November. With respect to Mr. Taylor's suggestion that the Italians be told that the alternative to a new agreement would be a cessation of air services, it was pointed out that this could present very serious political considerations and in the final instance might not be supported by the interested US carriers. Mr. Taylor raised the possibility that the interested US carriers could be asked in advance to take a firm position with the USG that they would support a complete cessation of air services between the United States and Italy.

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Mr. Long pointed out that differences between the United States and Italy with respect to traffic statistics had been an obstacle in negotiations and wondered whether it might not be useful to also have a preliminary understanding with Italy on the statistical and factual aspects of the negotiations. Mr. Loy acknowledged that this had been a problem in the past and efforts were being made through the CAB, to correct this deficiency.

With respect to the problem of TWA's beyond Italy route to Hong Kong, Mr. Taylor confirmed that TWA would be filing a schedule with Italy around September 23 showing the Hong Kong extension with a notation that it would be subject to Government approval. It was generally expected that Italy would oppose the route to Hong Kong on the same ground that it had opposed the extension to Bangkok. Mr. Long agreed that the justification on the Bangkok route presented to General Santini had been somewhat meager, but argued that no more adequate figures were available. He added that even if a very detailed presentation had been made, General Santini would have rejected it. Mr. Taylor said that if Italy made the same objection to the Hong Kong extension that it made to the Bangkok extension, TWA would, as in the case of Bangkok, refrain from advertising or selling tickets to Hong Kong in Italy.

Mr. Taylor said that TWA would send the Department in writing its views on the Italian negotiations.

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